

SEMCO

SEMCO STYLE INSTITUTE

When 21-year old Ricardo Semler took over his father's company (Semco) in the early 1980s, it employed about a hundred people and generated \$4 million in annual revenue. Semco produced marine pumps for Brazil's shipping industry, and was organized in a traditional manner. It had well-developed operating standards, formal rules, and detailed job descriptions that indicated the training and experience required for each position. It also had a fairly centralized authority structure and a well-developed departmental structure. In short, Semco's structures and systems were developed fully enough for the father to hand over the reins of power to a 21- year old.

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Ricardo Semler, however, was not fond of the way things were organized at Semco. He had previously worked for a summer in Semco's purchasing department, and asked himself: "How can I spend the rest of my life doing this? How can I stomach years of babysitting people to make sure they clock in on time? Why is this worth doing?" So, he threw out the books of rules and regulations that had been the result of years of *standardization* and formalization. Even after he helped Semco grow to over 3,000 employees and \$200 million in annual revenues, its manual was still a mere 20 pages, complete with cartoons. Semco doesn't even have a written mission statement, preferring instead to foster *experimentation*. Minutes are seldom taken at Semco meetings, because once things get written down they can constrain future experimentation. Semler wants the standards that guide activity at Semco to be fluid and constantly (re)constructed by its members.

Specialization is also downplayed at Semco: there are no job descriptions. Semco even has a "Lost in Space" program that assumes young new hires often don't know what they want to do with their lives. The program allows them to roam through the company for a year, moving to a different unit whenever they want to. Semler himself spends little time at work (he doesn't even have an office), preferring instead to learn and get input from a wide variety of stimuli. He models an approach that encourages everyone to be *sensitized* to needs and opportunities that might otherwise be overlooked.

Semler is also not too keen on the *centralization* of authority. Even though Semco has diversified and grown, it still has only three levels of hierarchy. Semler himself is one of six "Counselors" (top management), who take turns leading the company for six months at a time. Workers in Semco choose their own work hours, set their own salaries, and decide who will be their managers. Managers trust workers and treat them with *dignity*. As Semler notes: "Most of our programs are based on the notion of giving employees control over their own lives. In a

word, we hire adults, and then we treat them like adults.” The company recently held a party marking ten years since the last time Semler made a decision.

Regarding *departmentalization*, Semco does not have large departments. Semler prefers smaller, more autonomous units of 150 or fewer members, where each person knows that their *participation* matters. The heavy emphasis on participation is consistent with Semler’s commitment to democracy, a watchword at Semco. He notes that we send our children around the world to die for democracy, but we lack democracy in our workplaces.

Ricardo Semler’s embrace of a SET approach has coincided with an outstanding growth rate of about 20% per year since he took over from his father, and Semco has interests in businesses worth almost US\$10 billion. Even so, Semler is very clear that growth and profits are not his primary goals. He says:

“I can honestly say that our growth, profit, and the number of people we employ are secondary concerns. Outsiders clamor to know these things because they want to quantify our business. These are the yardsticks they turn to first. That’s one reason we’re still privately held. I don’t want Semco to be burdened with the ninety-day mindset of most stock market analysts. It would undermine our solidity and force us to dance to the tune we don’t really want to hear—a Wall Street waltz that starts each day with an opening bell and ends with the thump of the closing gavel.”

“Profit beyond the minimum is not essential for survival. In any event, an organization doesn’t really need profit beyond what is vital for working capital and the small growth that is essential for keeping up with the customers and competition. Excess profit only creates another imbalance. To be sure, it enables the owner or CEO to commission a yacht. But then employees will wonder why they should work so the owner can buy a boat.”

Semler is enjoying his opportunity to demonstrate that businesses can thrive when you treat people with dignity, foster trust and participation, value experimentation and learning, and are sensitive to the larger needs and opportunities around you. For him, these are the genuine **fundamentals** of organizing. His approach has attracted admiration among his peers; he has been named business leader of the year several times by a poll of over 50,000 Brazilian executives.